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1 December 1986***Crisis Envelops Administration Officials*****'What Did They Know;
When Did They Know It?'**By **MICHAEL WINES** and **DOYLE McMANUS**, *Times Staff Writers*

WASHINGTON—Like the stain of an oil spill, the Iranian arms-and-hostages deal and the diversion of profits from it to help the Nicaraguan rebels has spread across the Reagan Administration until—directly or indirectly—it now touches almost every senior government official concerned with national security and foreign policy.

And once again the painfully familiar questions are being asked by FBI and congressional investigators: "What did they know, and when did they know it?"

Those questions, etched in America's psyche by Watergate more than a decade ago, now are being asked about men who hold some of the most critical positions of trust in the nation: top White House officials, the secretaries of state and defense, the attorney general, the President's national security adviser, the director of the CIA—even President Reagan and Vice President George Bush themselves.

The questions already have figured prominently in the presidentially ordered inquiry by Atty. Gen. Edwin Meese III, an investigation that led last week to the resignation of Vice Adm. John M. Poindexter as Reagan's national security adviser and the firing of Lt. Col. Oliver L. North from the National Security Council staff.

In the nearly four weeks since the Iranian arms affair began un-

raveling, and in the week since Meese disclosed that proceeds from arms deals had been funneled to the Nicaraguan *contras*, some answers have begun to emerge. Here is an account of what has become known about the involvement of key officials, their roles in the growing controversy and the questions that remain.

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Edwin Meese III

At last Tuesday's White House briefing, Meese was asked about legal opinions he had given on the Iran arms shipments. "The only legal opinion that was involved had to do with the routine concurrence, with the (President's national security) finding of January 1986," Meese replied. "That's the only legal advice that was asked for or that was given."

A Justice Department official said Sunday that what Meese, who is also a member of the NSC, concurred in was actually legal advice from the CIA's general counsel that a delay in notifying Congress was permitted because lives were at stake. "He first learned of it (arms shipments to Iran) at that (January) meeting," said the Justice Department spokesman, Patrick S. Korten, who said he did not know the exact date.

A Justice Department official said Meese discovered that Iranian arms proceeds had been funneled to the *contras* only three days before he announced it on national television. On Nov. 20, Meese and Asst. Atty. Gen. Charles J. Cooper were reviewing legal issues involved in congressional testimony by Administration officials the Iran situation.



Associated Press

Edwin Meese

When they discovered gaps in the information held by various White House officials, Meese won Reagan's approval to assemble a small team of about four trusted Justice Department officials—all highly conservative political appointees with little or no experience in criminal law—to make inquiries. Working through the weekend, the investigators "discussed" the matter with, among others, the President, Shultz, Weinberger, Regan, Casey, Poindexter, North and McFarlane, according to the Justice Department official.

The team, reviewing records of the Iranian arms sale, came upon the link to the *contras* on Saturday. Meese presented that information to Reagan on Monday, one day before Poindexter resigned and North was fired.

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Continued

A William J. Casey

Casey and the CIA were in the thick of the secret operation to sell arms to Iran. Meese described the CIA as "the agent" for the U.S. government in most of the deal: The CIA bought the weapons from the Pentagon, arranged to ship them to Iran and took payment through its own Swiss bank accounts.

Casey and his agency have flatly and repeatedly denied taking part in—or even knowing about—the other part of the scheme, skimming arms profits for the contras. And Meese said last week that "to the best of our knowledge, no one in the CIA knew about it."

Two issues are involved: How could the CIA have been so intimately involved in the arms transfers without noticing that Iran was paying far more for the weapons than the United States was receiving? And

why did the agency fail to investigate fully the source of the contras' new funding—which Administration sources say CIA operatives discovered but did not investigate when a substantially expanded air cargo system was put in place at a time when Congress had halted U.S. military aid?

Casey briefed the House and Senate intelligence committees on these issues Nov. 21 and told them the CIA had set up Swiss bank accounts to receive the about \$12 million that the United States charged Iran for the weapons. But he told the committees that he was unable to give them a full accounting of the money trail. The House Intelligence Committee demanded a full accounting, and four days later Meese announced that he had discovered where the profits went.

A Casey also told the committees that a retired CIA officer, George Cave, was recalled by the agency to oversee the arms-and-hostages operation and was aboard the aircraft that took McFarlane to Tehran in May. And Casey said the CIA directly managed five arms shipments to Iran: one in 1985, before President Reagan authorized the deal, and four in 1986, after Reagan approved the plan. But he insisted that neither he nor anyone else in the agency knew where the money had gone.

Sources say the CIA held back from pursuing the money trail for two reasons: A full inquiry might violate restrictions against CIA surveillance of U.S. citizens, and there was little enthusiasm for investigating an effort so closely in accord with the President's expressed feelings.

Times staff writers Norman Kempster, Ronald J. Ostrow and Gaylord Shaw also contributed to this article.



Associated Press

William Casey

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